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THE NEED FOR A BUDGET SYSTEM IN THE UNITED STATES

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The time seems ripe for the introduction of a national budget. Long advocated by students of political science; planned by President Taft; endorsed by the National Chamber of Commerce; agitated in Congress; favored by President Wilson and Secretary of the Treasury McAdoo; urged by the chairman of the committee on appropriations of the House of Representatives, himself an expert in matters of finance; pledged by the Progressive, Republican and Democratic parties in their platforms for the presidential election of 1916; discussed from the platform and in the press all over the country within recent months; supported by the people, who have lately had their attention turned rather sharply toward direct taxation by the federal government; and recognized by the whole nation as a needful measure, the way seems prepared for the introduction of this fundamental reform.

In his message to Congress, on January 17, 1912, President Taft said:

The United States is the only great nation whose government is operated without a budget. This fact seems to be more striking when it is considered that budgets and budget procedures are the outgrowth of democratic doctrines and have had an important part in the development of modern constitutional rights. The American Commonwealth has suffered much from irresponsibility on the part of its governing agencies. The constitutional purpose of a budget is to make government responsive to public opinion and responsible for its acts. A budget should be the means of getting before the legislative branch, before the press, and before the people a definite annual program of business to be financed; it should be in the nature of a prospectus, both of revenues and expenditures; it should comprehend every relation of the government to the people, whether with reference to the raising of revenues or the rendering of service.

Thus President Taft stated broadly the advantages and purposes of the budget system. Though the term "budget" is used in a variety of restricted meanings, this conception of the plan embraces a complete scheme of annual finance for the government; a comprehensive, unified statement, in summary and in detail, of the expenditures on the one hand and of the revenues on the other; a

presentation at every stage, from the submission of estimates, through enactment into law, to its administration and to the auditing of accounts, of a complete view of the whole financial program of the government; something that would show every separate problem with reference to its relative importance and its bearing to every other problem; an assurance of equilibrium of expenditures and income; the preparation of the budget by a responsible executive department which alone possesses the necessary expert knowledge of its vast, technical and various businesses and alone knows its real needs; and the adoption by a legislature responsible to the people.

The management of the public finances is the center of a constitutional system. Nearly every great problem before a legislature presents itself in the tangible form of a proposition of either taxation or expenditure. Ours is the only great nation whose government does business without a budget. Our long years of deficiency in this respect is not a reasonable precedent; nor is this precedent rightly based on historical origin and constitutional reasons. The traditional and generally accepted theory of our government is not referred to in the constitution at all.

The framers of our fundamental law wrote little about budget making but they well understood that it involves the whole character of constitutional government. The constitution deals briefly with finance. It gives the control of the purse to Congress but says little about processes. No method of procedure is prescribed. It has a few general provisions susceptible of wide interpretation and application. It seems to have been assumed that English precedents would be followed, a determined procedure which required no special or limiting provisions. The traditional course was pursued at first in the various acts by which the organization of the government was completed, *i.e.* they were prepared for Congress by the administration. Cabinet officials assumed direct relations with Congress, after the English fashion. In the beginning there were no standing committees in the House of Representatives. The latter simply resolved itself into a committee of the whole for the consideration of financial measures.

But after the government became firmly established and party divisions arose, a profound change took place which the framers of the constitution could not have intended nor foreseen. The con-

stitutional prohibition of office-holders serving as members of Congress was employed to terminate the speaking privilege of cabinet officials in the national legislature. The direct initiative of the administration was thus ended. The constitution contains nothing about the committee system, but such bodies soon arose to intervene between the recommendations of the administration and action by Congress. The incipient method of procedure thus broke down and the American system diverged from its English prototype.

There is lacking in our financial method the element of careful, intelligible, responsible planning. From the very beginning there has been conflict between the executive and legislative branches over the method followed, and criticism of our policy has increased as inefficiency has grown more noticeable and pronounced. Other countries have incorporated important reforms or radically altered their systems of finance, but we have not profited at all by the experience of the civilized world. Our changes have been for the worse. The vast sums necessary to run our government are handled in a preposterous way. In his book, *Cost of Our National Government*, Professor Ford says: "Compared with the exact and minute system of English budget control our methods seem like the ignorant and disorderly practices of barbarians."

The word "budget" can hardly be used at all in relation to our financial operations. The preparation of bills for both appropriations and revenues, the allotment and the spending of the money, and the auditing of accounts are made without any definite financial policy, either executive or legislative.

Some reform is necessary and inevitable. Since the foundation of our government the annual expenditures in normal times have increased from about \$3,000,000 to about \$2,000,000,000. Extravagance and invisible government have brought the budget idea to public attention. Congress and the people both need what they have never had, a comprehensive and clear annual statement of the national finances; some plan that would show each problem with reference to its relative importance and bearing to every other problem. The present trifling and jumbled methods of Congress can not develop real statesmen with a broad national outlook.

No single change in our government would be so largely conducive to efficiency as a proper budget method. It is dictated by

common sense and by common procedure—the best judgment and experience of the management of corporate bodies, both public and private. It is of course encouraging to know how well the system works in England but that is an outside aspect of the problem. We need it because our own form and method of government require it; because the size and complexity of our problem make it necessary for us to see the business of government in perspective and in detail; and because it is an indispensable instrument for financial reforms and economies.

There is and should be a great distinction between the spending policy of the nation in time of peace and in time of war. In normal times every expenditure should be considered with reference to whether it is worth the burden it puts upon the people; but in war all the people have must be spent, if necessary, in order to save the nation. But even so there is more need now than there ever was for a reform in our system of appropriating money, because of the very magnitude of the war finances. The principles of the budget system apply as well to the huge amounts of today as they do to the smaller sums of peace times.

The first need of our Allies is money. The finances of the war have been our first concern. The expense of war now is appalling. The Civil War cost the Union about \$2,000,000 a day; we are now spending about \$20,000,000 a day. The Civil War cost the Union about \$3,000,000,000; the estimate of our expenditures for our first year of the present war is over \$12,000,000,000. The Napoleonic wars (1793–1815) cost England and France about \$6,250,000,000; the expenditure of the Entente Allies for the first three years of this war was more than \$50,000,000,000. We are fighting on foreign soil, at a great distance, and the cost to us of placing a man on the western front is about ten times greater than it is to Germany.

Our financial operations are stupendous. Liberty loan bonds, including the third issue, will total \$8,800,000,000, with indication that the latest loan will be oversubscribed. War savings stamps now yield about \$11,000,000 a week, the entire authorization being \$1,680,000,000 which will be redeemed, at par, in five years, with a cost to the government of \$320,000,000 in interest. The estimated annual revenue from taxation is \$4,000,000,000 or more. At the beginning of the war the national debt was, in round figures, \$1,000,000,000; on January 31, 1918, the interest-bearing debt was almost

\$8,200,000,000, and the gross debt of the nation was about \$8,440,000,000. The per capita debt of our population was about \$10 in 1914; it is now about \$110. The United States has loaned its Allies over \$5,000,000,000. For military and naval establishments and the United States Shipping Board, over \$3,500,000,000 has been disbursed. The total appropriation for the army from April 6, 1917, to April 6, 1918, was about \$7,500,000,000. The navy appropriation for the same period aggregated \$3,350,000,000, and the Shipping Board received \$2,000,000,000 for the purchase and building of ships. There are other extraordinary and colossal expenditures which it is needless to recount.

But we do not despair when we contemplate our resources. The wealth of the United States is estimated at \$250,000,000,000, with an income of \$50,000,000,000—as much as the British and German Empires combined. We have as much gold as Great Britain and Germany, and nearly as much as all the belligerent countries combined. We lead a long way in the production of wheat; we raise most of the world's corn and cotton; produce most of the oil and copper; turn out annually as much steel as Great Britain, France and Germany combined; and possess coal lands as great as their aggregate area.

All the energies of our country must be concentrated upon the prosecution of the war and in meeting the vast outlays which are vitally necessary to that end. The strain will be great. Inefficiency and waste must necessarily increase the burden intolerably, and might prove fatal to our cause, which is the cause of the civilized world.

There is necessity for a budget system as there never was before; and such a reform is now advocated by all thinking men. There is abundant literature for our guidance. The Academy itself, in its *Annals*, has published a series of able papers on "Public Budgets,"¹ with a bibliography of select references on the subject. President Taft made a practical beginning in the application of the budget idea to our national government and devised forms and reports which should prove of great value in the study and formulation of a budget plan. The introduction of such a system would not be the least of the great victories democracy must win.

¹See *The Annals of the American Academy of Political and Social Science*, November, 1915.